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SENSITIVE

STATE FOR NEA/ELA, NEA/RA, AND EEB/IFD/OIA  
USAID FOR ANE/MEA MCCLOUD AND RILEY  
TREASURY FOR MATHIASON AND HIRSON  
COMMERCE FOR 4520/ITA/ANESA/OBERG

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SUBJECT: EGYPT: NEXT STEPS ON A BILATERAL INVESTMENT TREATY

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¶1. (SBU) Visiting EEB PDAS Elizabeth Dibble met with Minister of Investment Mohieldin to discuss next steps on updating the U.S.-Egypt Bilateral Investment Treaty (BIT). Mohieldin was positive about the U.S. white paper and said his staff would have a reply soon. He does not foresee problems with any articles of the model BIT, but considers the agreement very "technical," requiring considerable effort and resources from the Egyptian side to negotiate and implement. Mohieldin now believes updating the BIT will take at least 24 months, and will only be ready to introduce to the People's Assembly at its November 2009 session.

¶2. (SBU) Mohieldin said he still hopes to open discussion on a U.S.-Egypt FTA, and asked if BIT negotiations should be delayed in anticipation of FTA negotiations in the next few years. He was concerned that formally announcing BIT negotiations would signal that the FTA was "dead," and was being replaced by a BIT. That is a message Mohieldin did not want to send to the government or the business community. Furthermore, he thought the BIT should be negotiated in the context of an FTA, where there may be "trade-offs." Dibble noted that the focus now is on getting the four completed FTAs through Congress. Without Trade Promotion Authority, it would be very difficult to envision opening talks on new FTAs. A BIT, on the other hand, should be relatively easy to pass through Congress. Opening BIT negotiations would not signal that the FTA is dead, but rather that the U.S. and Egypt are moving from a donor-recipient relationship to an economic partnership.

¶3. (SBU) Mohieldin agreed that his staff could meet with U.S. representatives on the margins of the OECD Investment Committee meeting in Paris December 12-13 for exploratory talks on updating the BIT. Zaid Bahie el Din, former head of the General Authority for Investment and Free Zones, will lead the Egyptian delegation to the OECD Investment Conference in Paris December 12-13, and will be accompanied by Egypt's main BIT technical negotiators, Maha Serageldin and Mohamed Abdel Gawad. Mohieldin noted that the ministries of Investment and Justice would need technical cooperation and capacity building in order to implement some obligations of the model BIT, including enforcement of property rights. Dibble agreed that this would be discussed in the context of the talks.

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